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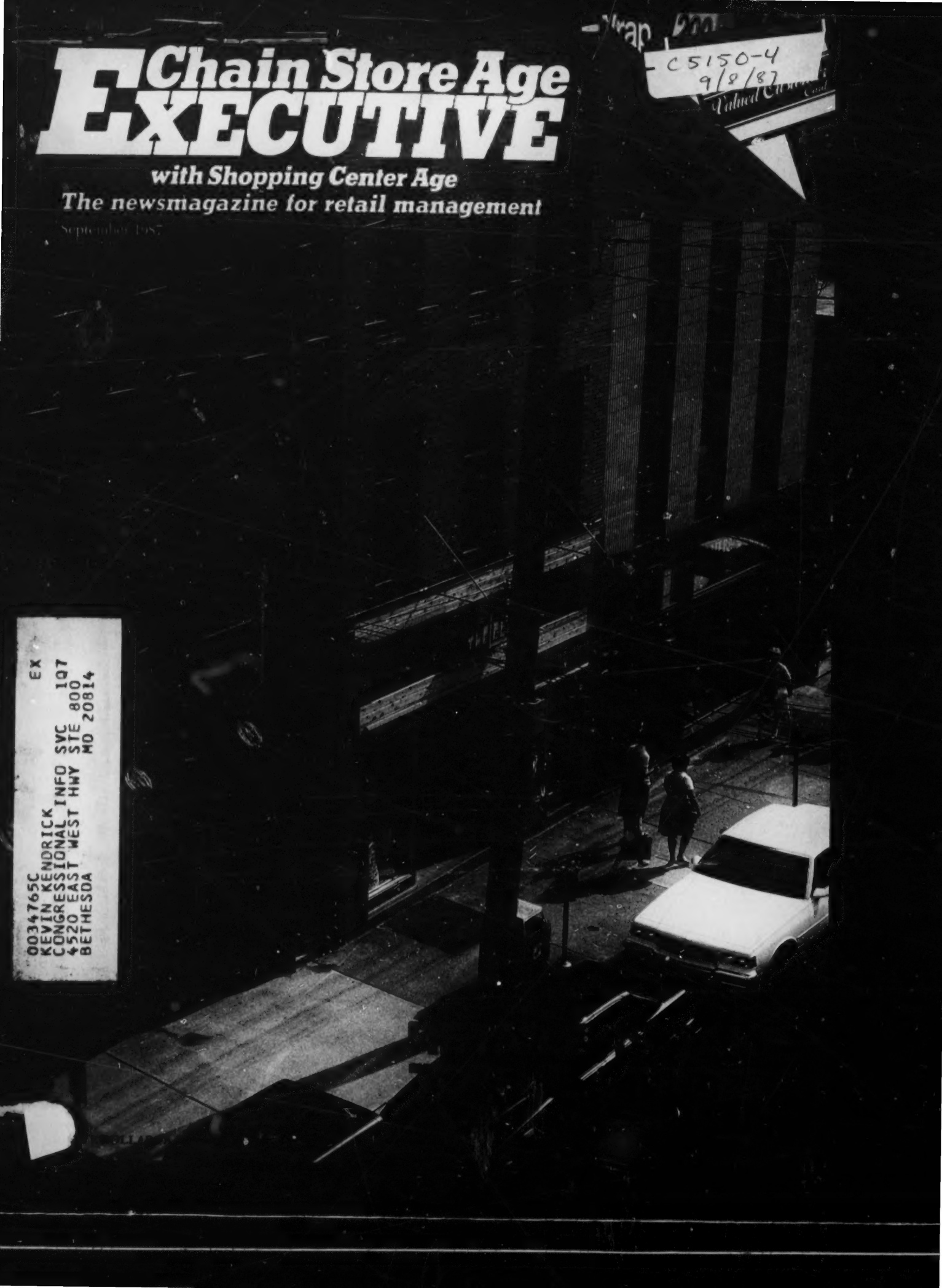
Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

September 1987



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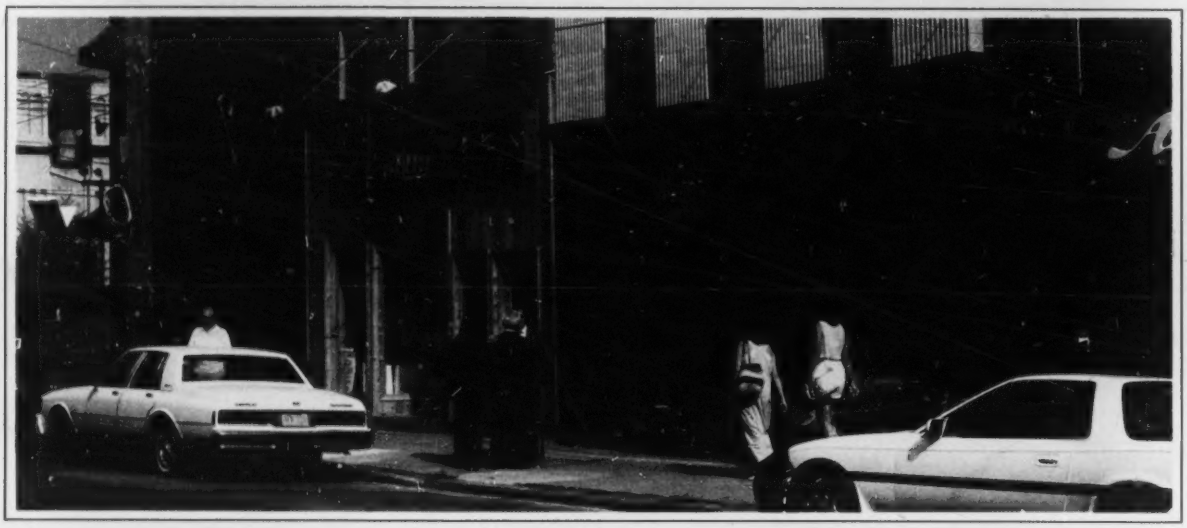
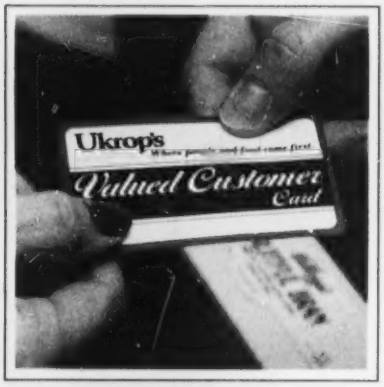


RETAILERS ARE TAKING TO THE STREETS

Expansion-minded chains are returning to neighborhood streets as they scout out additional store locations. The No. 1 reason is the overall slowdown in the construction of the regional malls that have traditionally been the home of such tenants. The list already includes such retailers as The Talbot's, Carroll Reed Shops and Banana Republic. *19*



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SHOPPING CENTER AGE

WILL SOUTH FLORIDA SOON DRAW MORE NATIONAL TENANTS?

Dade and Broward Counties form one of the nation's most affluent markets. It's no wonder developers continue to get in on the action. But why haven't more national tenants moved in? Have they been scared off by some of the population segments? Is the situation finally changing? . *25*

FOREIGN FIRMS INVEST IN U.S. RETAIL CHAINS

NON-U.S. COMPANIES SEE THIS MARKET AS THEIR BEST HOPE FOR EXPANSION

By now everyone is familiar with the proliferation of European retailers in the American market. The Italian-based Benetton operation is managing to put stores on almost every street and in almost every center; more and more often it is finding that the British Laura Ashley chain is one of its neighbors.

Swedish-based IKEA claims that its first two stores (Plymouth Meeting, Pa., and Dale City, Va.) are only the beginning of its U.S. expansion. France's Carrefour will open its first U.S. stores shortly, as will Printemps.

From Great Britain comes Marks & Spencer, which is planning to open stores under the D'Aillard name. (Rumors abound that it will soon be bringing in full-size units under its own name.) Virgin Records, one of Britain's largest record chains, recently confirmed it is scouting out New York City locations.

It's no wonder that such moves are what come to mind first when the topic of foreign companies showing up on the U.S. retail scene arises. But their stores are only part of the story. A growing number of foreign-based firms are investing in American chains.

As Gilbert Harrison, head of Financo and a managing director of Shearson Lehman Bros., points out,

Majestic Wine Warehouse Ltd. London, England	Liquor Barn, discount liquor chain formerly owned by Safeway Stores	Stated as new offer in June '87 issue of *Acquisition/Divestiture Weekly Report*	Sale for undisclosed amount; Majestic Wine Warehouse said it paid "over $100 million."
Merchant Navy Officer's Pension Fund, England	Tiffany & Co.	Stated as new offer in June '87 issue of *Acquisition/Divestiture Weekly Report*	According to an SEC filing, the Pension Fund holds 829,500 shares; approximately 6,500 of these were bought at Tiffany's initial public offering for $23 per share
J. Sainsbury PLC London, England	Shaw's Supermarkets	June '87	First acquired 21% interest in company in Nov. '83 for about $21 million; plans to gain majority interest by buying 2.55 million shares from Davis family for a total of $76.5 million; making tender offer for remaining shares, accounting for 51.6% of company; if all shares tendered, total price will be $184.4 million
Campeau Corp., Toronto, Canada	Allied Stores Corp.	November '86	$3.664 million buys control of the open market; Allied holders will receive $69 a share in cash and securities for 47.5% of Allied not already owned by Campeau
Industrial Equity (Pacific) Ltd., Wan Chai, Hong Kong	D.H. Holmes Co. Ltd., department store chain	August '86	Company increased its holdings in D.H. Holmes to 26.8% from 11.2%; additional shares are valued at about $14.6 million
London & Leeds Corp., subsidiary of Cadbrooke Group PLC, England	Gimbel Bros. stores	June '86	Two Gimbel Bros. stores in Manhattan were sold for more than $130 million
Dee Corp. PLC, London, England	Herman's Sporting Goods Inc.	April '86	Acquired all outstanding common and preferred stock through a $35.25 per share cash tender valued at about $405.4 million; 56% owned previously by W.R. Grace acquired for $227 million.
PS Associates CV, Netherlands	Zale Corp., chain of jewelry stores	January '87	Company acquired remaining 85.6% of outstanding Zale common stock through a $50 per share tender offer; subsequent cash merger valued at $561.7 million
Hooker Corp., Australia	Bonwit Teller	Stated as new offer in May '87 issue of *Acquisition/Divestiture Weekly Report*	Undisclosed

Source: Quick Facts, Management Horizons, Columbus, Ohio

"For years there has been an awareness of the U.S. and interest in investing here. Foreign firms have been doing this by buying 100% of a company and/or by making a partial investment in a company."

Up until recently, most of these moves have taken place quietly—except, perhaps, for the purchase of a majority interest in Montvale, N.J.-based A&P by West Germany's Tengelmann.

The infusion of foreign monies into the U.S. retail industry has been slow and steady. Now, not only does the rate of investment appear to be speeding up but the deals are also receiving far greater publicity.

A notable example is Australia's Hooker Corp.'s recent purchases of New York-based Bonwit Teller (for a price tag of $96 million) and Birmingham, Ala.-based Parisian. In late 1986 Hooker also purchased an 80% interest in the California-based Mersamer Jewelers chain.

Also, Britain's J. Sainsbury made headlines when it purchased controlling interest in Shaw's Supermarkets, the New England-based chain in which it already held a minority interest. (Sainsbury also holds a minority interest in Scotty's home centers, Winter Haven, Fla.)

According to *Acquisitions Monthly*, a U.K. trade publication, British companies have acquired or have agreed to acquire 144 American companies so far this year, with deals valued in excess of $18.9 billion.

Why the U.S.? Because for many European-based companies, this market appears to offer their best hope for future expansion.

Since new management joined Great Britain's Dee Corp. several years ago, it has been on a virtual buying rampage, scooping up companies right and left. It's moved so rapidly, in fact, that there are few moves left that it can make without violating British law.

So where has it turned? To the U.S. market, of course. It has already purchased the Herman's Sporting Goods chain, and R. K. O'Keefe, head of the firm's U.S. New York-based subsidiary, is making no secret of the fact that it is actively seeking other retail investment opportunities.

Still, all foreign retailers aren't in agreement about "whether it's better to develop a separate U.S. merchandise strategy or to clone a successful foreign strategy," says Harrison.

While there have been some failures, "most of these occurred because the company in question never should have been acquired by anyone, or because the price was so high that the return levels would never have been adequate."

There are other questions to be answered by the acquiring firm. Should the American management team remain in place or should a new crew be brought it? What similarities, if any, are there between operating a U.S. retail company and one in a foreign market? How many of the same systems and operating methods can be utilized by the two different entities?

No matter how foreign companies decide to answer these questions, one fact appears certain: the influx of their dollars into U.S. retail chains has only just begun. ■

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